Audited Financial Statements

Ferris Foundation

Years Ended June 30, 2021 and 2020
with Report of Independent Auditors

AHPA
CPAs & ADVISORS
ANDREWS HOOPER PAVLIK PLC

Ferris Foundation

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Contents

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Report of Independent Auditors

Board of Directors
Ferris Foundation
Big Rapids, Michigan

We have audited the accompanying financial statements of the Ferris Foundation, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ferris Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Andrews Hooper Pavlik PLC

Grand Rapids, Michigan
September 20, 2021

Ferris Foundation

Statements of Financial Position

	June 30	
	2021	**2020**
Assets		
Cash and cash equivalents – Note 4	**$ 1,127,237**	$ 1,617,902
Investments – Note 4	**117,293,244**	87,398,716
Pledges receivable – Note 7	**4,239,347**	3,184,737
Total assets	**$ 122,659,828**	$ 92,201,355
Liabilities		
Accounts payable	**$ 17,778**	$ 3,655
Annuity liability – Note 3	**109,363**	109,214
Total liabilities	**127,141**	112,869
Net Assets – Note 1		
Without donor restrictions	**28,412,084**	23,626,398
With donor restrictions	**94,120,603**	68,462,088
Total net assets	**122,532,687**	92,088,486
Total liabilities and net assets	**$ 122,659,828**	$ 92,201,355

See accompanying notes.

Ferris Foundation

Statements of Activities

	Year Ended June 30					
	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support, revenue, and gains (losses)						
Gifts and contributions	**$ 2,149,007**	**$ 5,470,434**	**$ 7,619,441**	$ 2,409,326	$ 4,731,445	$ 7,140,771
Change in split-interest agreement	**-**	**(9,752)**	**(9,752)**	-	(24,631)	(24,631)
Investment income, net	**7,659,349**	**23,036,556**	**30,695,905**	200,070	195,049	395,119
Net assets released from restrictions	**5,040,443**	**(5,040,443)**	**-**	4,387,659	(4,387,659)	-
Total support, revenue, and gains (losses)	**14,848,799**	**23,456,795**	**38,305,594**	6,997,055	514,204	7,511,259
Expenses – Note 6						
Meals, travel, and entertainment	**414**	**-**	**414**	29,664	-	29,664
Board expenses	**18,556**	**-**	**18,556**	1,386	-	1,386
Professional fees and other services	**546,809**	**-**	**546,809**	439,364	-	439,364
Supplies	**1,647**	**-**	**1,647**	2,799	-	2,799
Support services donated from Ferris State University – Note 5	**2,044,860**	**-**	**2,044,860**	2,206,887	-	2,206,887
Disbursements to Ferris State University – Note 5	**3,321,070**	**-**	**3,321,070**	2,793,811	-	2,793,811
Support to Ferris State University – Note 5	**2,376,538**	**-**	**2,376,538**	2,491,574	-	2,491,574
Total expenses	**8,309,894**	**-**	**8,309,894**	7,965,485	-	7,965,485
Support, revenue, and gains over (under) expenses	**6,538,905**	**23,456,795**	**29,995,700**	(968,430)	514,204	(454,226)
Other changes in net assets						
Net transfers for Ferris Futures Endowment – Note 5	**(2,004,842)**	**2,004,842**	**-**	(3,002,995)	3,002,995	-
Net transfers from (to) Ferris State University – Note 5	**251,623**	**196,878**	**448,501**	(287,023)	258,248	(28,775)
Increase (decrease) in net assets	**4,785,686**	**25,658,515**	**30,444,201**	(4,258,448)	3,775,447	(483,001)
Net assets – beginning of year	**23,626,398**	**68,462,088**	**92,088,486**	27,884,846	64,686,641	92,571,487
Net assets – end of year	**$ 28,412,084**	**$ 94,120,603**	**$ 122,532,687**	$ 23,626,398	$ 68,462,088	$ 92,088,486

See accompanying notes.

Ferris Foundation

Statements of Cash Flows

	Year Ended June 30 2021	2020
Operating activities		
Change in net assets	$ **30,444,201**	$ (483,001)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Provision for losses on pledges receivable	**29,135**	15,456
Net transfer to (from) Ferris State University	**(448,501)**	28,775
Net realized and unrealized loss (gain) from security transactions	**(29,693,604)**	770,272
Contributions restricted for long-term investments	**(2,012,152)**	(1,739,111)
Decrease (increase) in assets:		
Pledges receivable	**(1,083,745)**	1,018,918
Increase (decrease) in liabilities:		
Accounts payable	**14,123**	(151,701)
Annuity liability	**9,752**	24,631
Net cash from operating activities	**(2,740,791)**	(515,761)
Investing activities		
Proceeds from the sale of investments	**10,307,070**	10,401,138
Purchases of investments	**(10,507,994)**	(14,038,947)
Net cash from investing activities	**(200,924)**	(3,637,809)
Financing activities		
Net transfer from (to) Ferris State University	**448,501**	(28,775)
Payment on annuity obligation	**(9,603)**	(9,603)
Investments in endowment	**2,012,152**	1,739,111
Net cash from financing activities	**2,451,050**	1,700,733
Net change in cash and cash equivalents	**(490,665)**	(2,452,837)
Cash and cash equivalents – beginning of year	**1,617,902**	4,070,739
Cash and cash equivalents – end of year	$ **1,127,237**	$ 1,617,902

See accompanying notes.

1. Summary of Significant Accounting Policies

Nature of Operations

The Ferris Foundation (Foundation) is a Michigan not-for-profit corporation. The Foundation was established to advance the mission and goals of Ferris State University (University) by generating and managing private support for the University. Both the Foundation and University boards believe that the investment strategy of the Foundation will provide high investment income yields over time. The Foundation is considered a component unit of the University and is, therefore, included in the financial statements of the University on an annual basis.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis following accounting policies established by the Financial Accounting Standards Board (FASB).

Types of Restrictions

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: 1) net assets with donor restrictions and 2) net assets without donor restrictions.

Net assets with donor restrictions are gifts of cash and other assets with donor stipulations that limit the use of the donated assets and, in some cases, the investment earnings on those assets. When a stipulated time or donor restriction expires or when funds are used for the donor-specified purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Earnings, gains, and losses on net assets with donor restrictions are classified as net assets without donor restrictions unless otherwise restricted by the donor or by applicable state laws.

Net assets without donor restrictions are net assets of the Foundation that are not restricted by donor-imposed stipulations. Net assets without donor restrictions include funds designated by Ferris State University as endowments and funds the Ferris Foundation Board of Directors considers operating funds for the Foundation.

1. Summary of Significant Accounting Policies (continued)

Types of Restrictions (continued)

The Foundation further classified net assets without donor restrictions as follows as of June 30:

	2021	2020
Quasi-endowment transfer and earnings	**$ 12,097,644**	$ 5,715,312
Funds functioning as quasi-endowments	**15,849,340**	17,548,425
Unrestricted endowments	**27,946,984**	23,263,737
Current funds (non-endowment)	**465,100**	362,661
Total net assets without donor restrictions	**$ 28,412,084**	$ 23,626,398

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions include interest earnings and spending on endowments, funds held for the charitable gift annuity program, funds held for merit grant awards, funds held for pledges relating to Ferris State University gifts, funds held in perpetuity for endowments, and other funds considered to be restricted. The Foundation classified net assets with donor restrictions as follows as of June 30:

	2021	2020
Temporary		
Scholarships	**$ 25,211,246**	$ 8,368,413
Student loans	**463,793**	249,452
Departmental use	**6,718,772**	3,822,832
Other – capital projects	**200**	200
Other – time restricted	**4,488,952**	3,385,616
Other – temporarily restricted	**1,522,542**	1,074,260
Perpetual		
Scholarships	**48,822,305**	44,741,507
Student loans	**505,893**	505,893
Departmental use	**6,386,900**	6,313,915
Total net assets with donor restrictions	**$ 94,120,603**	$ 64,462,088

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

1. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value. Investments in bond and equity mutual funds are based on quoted market prices. Investments in limited partnerships are valued at the most recent valuation adjusted for capital calls and distributions. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Gains or losses on investments sold are determined using the specific identification method. As of June 30, 2021, the Foundation's remaining capital commitment on investments in limited partnerships was $11,330,420 ($11,743,652 as of June 30, 2020).

Concentration of Credit Risk Arising from Deposit Accounts

The Foundation maintains cash balances at a local bank. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Cash balances, at times, may exceed the FDIC insured limit; however, management believes that the Foundation is subject to minimal risk.

Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes

The Internal Revenue Service (IRS) has determined that the Foundation is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

U.S. GAAP requires management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2021,

1. Summary of Significant Accounting Policies (continued)

Federal Income Taxes (continued)

there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing authorities; however, there are currently no audits in progress for any tax periods. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2018.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 20, 2021, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Unrestricted gifts or funds transferred from Ferris State University to set up endowments are considered board-designated and could be drawn upon, if necessary, to meet liquidity needs.

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following as of June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	**$ 1,127,237**	$ 1,617,902
Pledges receivable	**4,239,347**	3,184,737
Total financial assets	**5,366,584**	4,802,639
Restrictions limiting availability:		
Donor restricted pledges receivable	**(4,239,347)**	(3,184,737)
Endowment cash and cash equivalents	**(526,861)**	(1,358,840)
Financial assets available to meet general expenditures within one year	**$ 600,376**	$ 259,062

3. Liability for Charitable Gift Annuity Program

The Foundation operates a charitable gift annuity program whereby donors receive a life income payment stream in exchange for assets conveyed to the Foundation under an annuity contract. The market value of the assets was $205,418 as of June 30, 2021 ($173,451 as of June 30, 2020). The liability under the annuity contracts was $109,363 as of June 30, 2021 ($109,214 as of June 30, 2020). The liability is recorded at its present value based on the donors' life expectancy.

During the year ended June 30, 2021, payments in the amount of $9,603 were made to the donors and have been recorded as a reduction in the annuity liability ($9,603 during the year ended June 30, 2020). The discount rates used to compute the annuity liability ranged from 4.0 percent to 9.4 percent for 2021 and 2020. Under the terms of the contracts, the assets are restricted until the death of the donors.

4. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the following as of June 30:

	2021	2020
Bank balance	**$ 610,859**	$ 317,620
Money market funds	**516,378**	1,300,282
Total cash and cash equivalents	**$ 1,127,237**	$ 1,617,902

Market values of investments are summarized as follows as of June 30:

	2021	2020
Mutual funds:		
Equity funds	**$ 62,282,290**	$ 46,838,840
Bond funds	**15,472,830**	13,496,690
Limited partnerships – real estate	**2,629,747**	1,774,464
Limited partnerships – hedge funds	**10,956,383**	8,637,389
Limited partnerships – natural resources/commodities	**1,751,054**	3,069,576
Limited partnerships – private equity/distressed	**22,028,747**	13,117,795
Limited partnerships – private credit	**1,966,775**	290,511
Charitable gift annuity funds	**205,418**	173,451
Total investments	**$ 117,293,244**	$ 87,398,716

4. Cash and Cash Equivalents and Investments (continued)

Income (losses) from investments consists of the following as of June 30:

	2021	2020
Investment income – interest and dividends	**$ 1,002,301**	$ 1,165,391
Realized gains	**3,682,315**	454,362
Unrealized gains (losses)	**26,011,289**	(1,224,634)
Total	**$ 30,695,905**	$ 395,119

5. Related Party Transactions

During the year ended June 30, 2021, the Foundation matched $2,004,842 in Ferris Futures Endowment funds and $3,002,995 during the year ended June 30, 2020. The University transferred $448,501 for the year ended June 30, 2021 to the Foundation and the Foundation transferred $28,775 for the year ended June 30, 2020 to the University. In addition, the Foundation made distributions from the endowment funds and the merit grant program to the University in the amounts of $3,321,070 for the year ended June 30, 2021 and $2,793,811 for the year ended June 30, 2020. These distributions provided support to various University scholarships, loans, and departmental accounts and to fund merit grant awards to faculty and staff.

Gifts to Ferris State University, Kendall College of Art and Design, the Urban Institute for Contemporary Arts, and the Ferris Foundation are processed by the Foundation and transferred to the appropriate designation as support to these organizations. This approach enhances stewardship and communication with donors, creating a more unified approach to philanthropy and further strengthens the Foundation's mission as the fundraising arm of the University. Gift revenue is reflected in the with donor restrictions fund of the statements of activities. Support designated to Ferris State University for the year ended June 30, 2021 was $2,376,538 and for the year ended June 30, 2020 was $2,491,574.

It is the University's policy to pay substantially all of the Foundation's expenses relating to the soliciting and collecting of donations. FASB accounting standards require the Foundation to recognize personnel costs that an affiliated organization provides as support services to the Foundation. As a result, Ferris State University staff completed a calculation that indicates its overall support to the Ferris Foundation. This figure measured for the year ended June 30, 2021 is $2,044,860 and for the year ended June 30, 2020 is $2,206,887. This amount is reported in the statements of activities as gifts and contributions revenue and under expenses as support services donated from Ferris State University in the without donor restrictions fund and has no effect on net assets.

6. Functional Expenses

The Foundation is required to provide information about expenses by their functional classification. Functional classifications most likely to be used by the Foundation include program services, management and general, and fundraising. Program services expenses result from goods and services being distributed in support of the mission (see Note 5 for further information); management and general expenses result from administrative activities; and fundraising expenses result from the costs of fundraising campaigns and other activities involved in soliciting gifts from donors. Support services are identified as those services donated by Ferris State University and considered to be expensed in the year the service is provided (see Note 5 for further information).

Total expenses of the Foundation by functional classification are summarized as follows as of June 30:

	2021	**2020**
Program services	**$5,697,608**	$5,285,385
Management and general	**333,150**	197,549
Fundraising	**234,276**	275,664
Support services	**2,044,860**	2,206,887
Total expenses	**$8,309,894**	$7,965,485

As noted above, program services and support services are amounts contributed to Ferris State University and amounts donated by Ferris State University to the Foundation for the direct benefit in support of the Foundation's mission. Management and general and fundraising expenses include meals, travel, and entertainment; board expenses; professional fees and other services; and supplies, which are recorded based on direct costs.

7. Pledges Receivable

The fair value of pledges receivable is estimated by discounting expected cash inflows and outflows to their present value using appropriate rates with the risk of realizing such cash inflows and outflows, which was 3.0 percent as of June 30, 2021 and 2020. The fair value of pledges also includes adjusting for amounts not deemed collectible totaling $29,135 for June 30, 2021 and $15,456 for June 30, 2020.

7. Pledges Receivable (continued)

The following shows the balance due of unconditional promises to give to the Foundation as of June 30:

	2021	2020
Pledges receivable in less than one year	**$1,638,621**	$1,859,848
Pledges receivable in one to five years	**2,901,474**	1,472,625
Pledges receivable in more than five years	**829**	2,855
Present value discount	**(301,577)**	(150,591)
Total	**$4,239,347**	$3,184,737

Approximately 77 percent of the Foundation's pledges receivable were due from three donors as of June 30, 2021 and approximately 42 percent were due from three donors as of June 30, 2020.

8. Fair Value Measurements

The following presents information about the Foundation's assets measured at fair value on a recurring basis and the valuation techniques used to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended June 30, 2021 and 2020, there were no transfers between levels of the fair value hierarchy.

8. Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis as of June 30, 2021 include the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2021
Public equity mutual funds	**$ 62,282,290**	**$ –**	**$ –**	**$ 62,282,290**
Fixed-income mutual funds	**15,472,830**	**–**	**–**	**15,472,830**
Charitable gift annuity funds	**205,418**	**–**	**–**	**205,418**
Pledges receivable	**–**	**–**	**4,239,347**	**4,239,347**
Total	**$ 77,960,538**	**$ –**	**$ 4,239,347**	**82,199,885**
Limited partnerships that calculate net asset value per share				**39,332,706**
Balance as of June 30, 2021				**$121,532,591**

Assets measured at fair value on a recurring basis as of June 30, 2020 include the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2020
Public equity mutual funds	$ 46,838,840	$ –	$ –	$ 46,838,840
Fixed-income mutual funds	13,496,690	–	–	13,496,690
Charitable gift annuity funds	173,451	–	–	173,451
Pledges receivable	–	–	3,184,737	3,184,737
Total	$ 60,508,981	$ –	$ 3,184,737	63,693,718
Limited partnerships that calculate net asset value per share				26,889,735
Balance as of June 30, 2020				$ 90,583,453

The Foundation has adopted, on a prospective basis, accounting standards, which require additional classifications in disclosures of the changes in Level 3 assets measured at fair value on a recurring basis.

8. Fair Value Measurements (continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the previous tables may include changes in fair value that were attributable to both observable and unobservable inputs.

Pledges receivable categorized as Level 3 assets consist of pledges receivable balances discounted at the Foundation's borrowing rate each fiscal year end and adjusted for amounts not deemed collectible.

Changes in Level 3 assets measured at fair value on a recurring basis include the following:

Pledges receivable as of July 1, 2019	$4,219,111
Net pledges collected	(1,034,374)
Pledges receivable as of June 30, 2020	3,184,737
Net pledges received	**1,054,610**
Pledges receivable as of June 30, 2021	**$4,239,347**

9. Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

Investments held as of June 30, 2021 include the following:

	Fair Value	Unfunded Commitments
Limited partnerships – real estate	**$ 2,629,747**	**$ 3,179,369**
Limited partnerships – private equity/distressed	**22,028,747**	**5,442,524**
Limited partnerships – hedge funds	**10,956,383**	–
Limited partnerships – natural resources/commodities	**1,751,054**	**517,118**
Limited partnerships – private credit	**1,966,775**	**2,191,409**
Balance as of June 30, 2021	**$39,332,706**	**$11,330,420**

9. Investments in Entities that Calculate Net Asset Value per Share (continued)

Investments held as of June 30, 2020 include the following:

	Fair Value	Unfunded Commitments
Limited partnerships – real estate	$ 1,774,464	$ 2,093,977
Limited partnerships – private equity/distressed	13,117,795	7,318,054
Limited partnerships – hedge funds	8,637,389	–
Limited partnerships – natural resources/commodities	3,069,576	622,132
Limited partnerships – private credit	290,511	1,709,489
Balance as of June 30, 2020	$ 26,889,735	$ 11,743,652

Real Estate

Six limited partnerships comprise the total investment in real estate.

Investment manager (a) invests in office, apartment, industrial, and other commercial real estate properties located primarily in the United States, and in real estate related securities. It is anticipated that investments will be made in a minimum of three major property types and in 15 national property markets with ownership in over 100 commercial types of properties. The partnership continues to liquidate holdings beyond its initial termination date of December 31, 2013.

Investment manager (b) invests in certain private real estate funds investing in office, retail, industrial or other commercial properties, and selected residential properties or real estate related securities, made primarily in Europe, with secondary focus on properties in certain Asian markets. The partnership continues to liquidate holdings beyond its initial termination date of December 31, 2014.

Investment manager (c) invests in opportunities in real estate such as development opportunities, property management, deal structuring, markets that are out of favor, and acquiring assets at discounts to their intrinsic value. The term of the partnership is 10 years from the last closing date offered to partners, expected to be in 2025 or as soon as reasonable thereafter. This direct manager will provide diversification through various real estate opportunities, various geographies, and through the use of both equity and debt instruments in the placement and purchase of investments.

Investment manager (d) is focused on absolute return with three key strengths to their investment approach: experienced management team and alignment of interests, flexibility to invest across geographies and product types, and focus on risk-adjusted returns. The fund invests domestically primarily in multifamily, retail, industrial, and office. The fund closed in January 2018 and has a 10-year term with option to extend.

9. Investments in Entities that Calculate Net Asset Value per Share (continued)

Real Estate (continued)

Investment manager (e) is focused on identifying underperforming multi-family real estate assets, acquiring them below replacement cost, and increasing their operating performance. The fund invests domestically in Austin, Denver, San Francisco/Silicon Valley and Seattle. These markets are expected to be more economically resilient compared to other US cities. The fund's final close was February 2020 and has a 10-year term of investment with an option to extend.

Investment manager (f) is focused on student housing, senior housing, medical offices, self-storage, and life sciences. Properties are selected based on need for the facility, favorable supply/demand fundamentals, demographic trends, and market trends. The goal is for properties that are not dependent on the interest rate environment or economic cycle.

Private Equity/Distressed

Combined for financial statement presentation purposes, the private equity manager(s) are fund of funds managers and direct placement fund managers investing in a program of venture capital, domestic private equity, distressed and buyout strategies, and international private capital investments using a value-added approach. The private capital program is designed to also invest in opportunistic funds. The Foundation utilizes eleven managers to invest in nineteen private equity funds. Investment commitments are spread across multiple years to create vintage year diversification in addition to program diversification. Both distressed investment funds are considered a fund of funds, with emphasis on investing in private companies undergoing financial distress.

Hedge Funds

Four limited partnerships make up the investments in hedge funds.

Investment manager (a) is an event driven hedge fund that invests across the capital structure in order to exploit inefficiencies in companies or securities that are complex, misunderstood, or underfollowed. The team invests in both equities and credit. The long side of the portfolio focuses on three primary types of securities: equities with multiple paths to value creation and/or strong free cash flow, sub investment grade bank debt with attractive yields, and stressed/distressed credit that have near-term catalysts. The short side of the portfolio will be comprised of single named equity and credit shorts, as well as portfolio hedges.

Investment manager (b) employs a fundamental approach to identify macroeconomic trends across both developed and emerging markets. The funds seek to generate absolute returns across the market cycles with high single/low double digit returns with low volatility. The process seeks to take advantage of non-optimal policy settings or imbalances in a market or country that are forecasted to reprice in the next one to three months.

9. Investments in Entities that Calculate Net Asset Value per Share (continued)

Hedge Funds (continued)

Investment manager (c) employs a fundamental bottom-up investment approach that is aided by a sophisticated top-down oriented risk management process. Exposures for the fund are managed in a fairly tight band and will typically average 135 percent long and 90 percent short.

Investment manager (d) is a global multi-strategy hedge fund comprised of three primary strategies: credit, value, and arbitrage. Arbitrage is focused on mergers, including corporate takeover situations where the team looks to capture the spread between acquirer and the company being acquired by being long and short the two companies. Credit is focused on stressed, distressed, restructuring, in liquidation, undervalued, or companies experiencing an event where there is a catalyst to unlock value. The team purchases equities with an event that can unlock value for equity holders where the equities are selling at a discount to intrinsic value.

Natural Resources/Commodities

Five limited partnerships comprise the total of investments in natural resources/commodities.

Investment manager (a) invests in a multi-fund manager approach in the areas of oil and gas production, energy services, and other natural resource related industries including timber, power services, infrastructure and manufacturing, mining and mineral extraction, and renewable and alternative energy technology. Diversification occurs through private equity strategies and property acquisition strategies. The partnership will terminate 12 years after official partnership filing, and liquidation is limited.

Investment manager (b) invests in a multi-fund manager approach in the areas of oil and gas production, energy services, and other natural resource related industries including timber, power services, infrastructure and manufacturing, mining and mineral extraction, and renewable and alternative energy technology. Diversification occurs through private equity strategies and property acquisition strategies. The partnership will terminate 12 years after official partnership filing, or approximately December 31, 2021, and liquidation is limited.

Investment manager (c) is a fund of funds manager investing in 7 to 10 energy funds engaged in acquisition and exploitation of proved oil and natural gas reserves in North America. Modest exposure to energy infrastructure, technology, services, and international reserve-based opportunities are allowed. The fund will terminate in 15 years after official partnership filing, or approximately December 31, 2021. Limited partners may seek liquidation through the general partner by selling its partnership share to other limited partners, the general partners, or a third party.

9. Investments in Entities that Calculate Net Asset Value per Share (continued)

Natural Resources/Commodities (continued)

Investment manager (d) invests in income-generating publicly traded Master Limited Partnerships (MLPs), either directly or via equity swaps, with a focus on energy sector MLPs and other C-Corporation energy infrastructure companies. Securities held may include common, preferred, and subordinated units of partnership interest and general partnership interests in MLPs. The fund may invest in other private placements and other non-public offerings of securities of MLPs.

Investment manager (e) invests in primary or secondary acquisitions of non-marketable limited partnerships that invest in the energy, mining, and/or minerals industries, or through co-investments alongside the managers of the partnerships or alongside other persons or entities. The general purpose of this partnership is to hold and manage its interests to realize significant long-term capital appreciation in a variety of security types, either purchased through public or private markets or in connection with a loan.

Private Credit

Two limited partnerships comprise the total of investments in private credit.

Investment manager (a) is focused on providing debt capital to borrowers based on real estate collateral. High points are its ability to take advantage of market opportunities during period of market dislocation/increased financial regulation. The management team has a proven track record through multiple real estate cycles. The fund's first close was in April 2020 and has a 7 year commitment plus two one-year extensions with an option to extend.

Investment manager (b) is focused on a broad universe of short to medium duration mispriced, stressed, and distressed credit. The management team employs a bottom-up, fundamental research to find investments that offer both a discount to fundamental value and downside protection. The manager invests all capital and strategies as a single platform, which provides flexibility to access both illiquid and liquid assets across secondary and primary markets globally.

Liquidity and Redemption Notice Requirements

Investments in entities that calculate net asset value per share have illiquid properties associated with the nature and type of investment in private capital and hedge funds. Certain lock up periods and redemption notification requirements are mandatory to liquidate these funds. Limited secondary markets exist for certain types of investment vehicles.

For private equity, real estate, and natural resource investments that calculate net asset value per share, the Foundation must hold these assets and receive distributions through the period of

9. Investments in Entities that Calculate Net Asset Value per Share (continued)

Liquidity and Redemption Notice Requirements (continued)

investment until the partnership terminates. Although distributions are made throughout the period of time the investment is held, this is not considered a liquid market. The Foundation's investments with hedge funds also have written notification requirements to access the funds. Funds requested for liquidation are made available depending on partnership agreements; currently this range is between 30 – 100 days. Hedge funds may also have other provisions on liquidity to meet annual audit requirements.

10. Donor- and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors or management to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment	**$ –**	**$ 88,108,909**	**$ 88,108,909**
Quasi-endowment	**27,946,984**	**–**	**27,946,984**
Total funds	**$ 27,946,984**	**$ 88,108,909**	**$116,055,893**

10. Donor- and Board-restricted Endowments (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2021 include:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – beginning of year	**$23,263,737**	**$64,002,012**	**$87,265,749**
Investment return:			
Investment income	**250,089**	**734,406**	**984,495**
Net realized/unrealized gain	**7,407,496**	**21,885,783**	**29,293,279**
Total investment return	**7,657,585**	**22,620,189**	**30,277,774**
Contributions	**4,258**	**2,012,152**	**2,016,410**
Appropriation of endowment assets for expenditures, net of administrative expenses	**(1,275,254)**	**(2,667,692)**	**(3,942,946)**
Matching gifts for Ferris Futures Endowment	**(2,004,842)**	**1,945,370**	**(59,472)**
Transfers to create endowment funds	**301,500**	**196,878**	**498,378**
Endowment net assets – end of year	**$27,946,984**	**$88,108,909**	**$116,055,893**

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment	$ –	$64,002,012	$64,002,012
Quasi-endowment	23,263,737	–	23,263,737
Total funds	$23,263,737	$64,002,012	$87,265,749

10. Donor- and Board-restricted Endowments (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2020 include:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – beginning of year	$27,368,643	$60,680,734	$88,049,377
Investment return:			
Investment income	328,994	807,274	1,136,268
Net realized/unrealized loss	(158,276)	(626,734)	(785,010)
Total investment return	170,718	180,540	351,258
Contributions	16,810	1,739,111	1,755,921
Appropriation of endowment assets for expenditures, net of administrative expenses	(1,305,299)	(1,909,127)	(3,214,426)
Matching gifts for Ferris Futures Endowment	(3,002,995)	3,002,995	–
Transfers to create endowment funds	15,860	307,759	323,619
Endowment net assets – end of year	$23,263,737	$64,002,012	$87,265,749

Interpretation of Relevant Law

The Board of Directors of the Foundation has reviewed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and established investment and spending policies requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund. The Foundation retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund not retained in perpetuity is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

10. Donor- and Board-restricted Endowments (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Foundation considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no funds with deficiencies as of June 30, 2021. As of June 30, 2020, twenty-five funds of this nature that had a fair value of $2,747,071 and an original endowment amount of $2,831,960 which resulted in an underwater amount of $84,889. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of contributions with donor restrictions.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed a target-weighted index in proportion to invested assets, while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds the Consumer Price Index (CPI) plus 5.0 percent annually. Actual returns in any given year may vary from this amount.